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OPERATING POLICIES

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1. GENERAL

- 1.1 The purpose of this section is to assemble a number of suggestions for developing and putting into effect written operating policies.
- 1.2 The suggestions included are taken from the results of long experience in the telephone industry.
- 1.3 It is an accepted fact that establishing policy - And Putting It In Writing - contributes a great deal to a more successful operation.

2. THE IMPORTANCE OF MAKING POLICY

- 2.1 Whether your rural telephone business is commercial or cooperative in nature, it is almost certain that if you establish clear operating policies tailored to the needs of your organization, and put them in effect, you will do a better job of managing the business. Policy makes for a smoother, more efficient, operation because it gives business a definite sense of direction.
- 2.2 The board of directors is responsible for planning and making policy; the manager for carrying it out. In management terms, policy means the making of considered decisions which are to be used by the manager and staff as guides for future actions.
- 2.3 When a board of directors makes policy it provides the basic means for handling problems uniformly by everyone in the organization. Policy provides guide lines for decisions. When a manager meets a situation by referring to written policy, it is the same as if the board were present and conferring with him.

- 2.4 If a business is to progress, there must be coordination and an atmosphere of understanding and confidence between the board and the operating manager and staff. The use of written policy helps to create such an atmosphere and allows the manager to carry out to the fullest degree, the wishes expressed by the board.
- 2.5 If the board fails to make policy, then the manager makes policy by default. In such situations, there is the danger of distrust and suspicion and the possibility of a management conflict because of the lack of understanding.
- 2.6 At times, policy-making groups are tempted to go beyond their policy-making job and start making detailed rules or working out the details of procedures. From the standpoint of good organization, that can become as troublesome as not having policies at all. For example, if a board decides that "approval of the operating budget authorizes the manager to execute the related work programs," it is making policy. But if it rules that "expenditures from the petty cash fund may be approved by the manager, office manager, bookkeeper, cashier, or operating superintendent," it is hampering the job of operating management by making operating rules and regulations.
- 2.7 Here are some questions and answers that may be helpful in distinguishing between a policy statement or decision, and an operating rule or procedure:

- | | |
|---------------------------------------|--|
| Q. What is the purpose of policy? | A. To provide guidance for future decisions. |
| Q. What is the purpose of a rule? | A. To carry out policy. |
| Q. Who should make policy? | A. The Board. |
| Q. Who should make a rule? | A. Manager or key employees. |
| Q. What does policy cover? | A. Usually a broad or basic area of operation. |
| Q. What does a rule cover? | A. Usually details of a particular work operation. |
| Q. How long will policy be in effect? | A. Generally for a long period since policy is a long term commitment. |
| Q. How long will a rule be in effect? | A. Varies greatly. |

3. HOW TO MAKE POLICY

3.1 Four steps are involved in policy-making:

Deciding policy subject matter;
Collecting facts;
Working out the policy statement;
Getting it down in writing.

3.2 Deciding Policy Subject Matter: The Board and Manager have the job of anticipating the problems that will arise in the conduct of the business and making policy to cover these problems. Not every problem of a rural telephone system can be foreseen but there are many which are common to all rural telephone businesses.

3.21 A cross section of activities which generally require policy guidance would include area coverage, budgeting, check signing, donations, employee training and safety, etc. See Exhibit F for a list of subjects on which policy determination may be needed.

3.3 Collecting Facts: After deciding where policy is needed, start collecting facts. This is the duty of the working committee selected by the board of directors. Such a committee usually includes two board members and the manager, with the attorney acting as consultant.

3.31 The first thing the committee will want to do is go through the bylaws and minutes of board meetings for three or four preceeding years. This search will unearth board resolutions which made policy.

3.32 Next, the committee will want to see what others have done in the policy field. Many REA borrowers now have written policies to guide them. While it is always good to see what the other fellow has done, the temptation to copy word for word should be avoided.

3.33 Finally, the committee will want to examine the policies of other utilities in the area and pay some attention to business customs and habits of the people of the community. After this, the committee is ready to make suggested drafts of policy statements.

3.4 Working out the Policy Statement: Now comes the time when the full board, the manager and the attorney get together for a series of meetings to work out policies on the subjects they have selected. This may take time but it is important enough to the successful operation of the rural telephone system to make it worthwhile.

- 3.41 Key policies should be taken first, each of them considered, debated and settled. If it is not possible to get unanimous agreement on each policy, there should be an understanding that all will support the draft favored by the majority.
- 3.42 Certain basic questions may be used to measure each policy. They include:

Why is the policy needed?
What are the likely financial and operating effects of the proposed policy?
How will **employees** react to it?
How will subscribers react to it?
What effect will it have on the general public?
What has been the experience of other rural telephone systems in like situations?
Has the problem come up before and how was it handled?
- 3.43 In the process of policy making, the board will come to situations where it must weigh its obligations to the stockholders or the members against its view of how subscribers should be treated, always taking into account that policy decisions should be equitable to both. It is this type of policy-making which can be of real help to a manager.
- 3.44 Take, for example, the matter of requiring deposits. The question is whether people with a poor credit rating or newcomers without any credit rating should be allowed to get service without a substantial deposit. On the one hand, the board considers its responsibility of protecting the financial interests of the business and on the other, the possibility of offending subscribers.
- 3.45 If the board does not make policy on the subject, the manager is on the spot. But if the manager has a written policy covering this situation, he has an answer. He needs only to show the policy statement to the person wanting service and point out that he is not permitted to make exceptions.
- 3.5 Getting Policy in Writing: For all practical purposes, policy does not exist unless it is written down. In addition, just the process of getting agreement on language makes for fuller understanding.
- 3.51 Policy statements need to be clear, direct, never subject to misinterpretation. Examples are shown in Exhibits C, D and E.

4. PUTTING POLICY TO WORK

4.1 Putting policy into effect and keeping it on the job generally requires:

Distribution and explanation of it.

Development of written procedures by operating management to carry it out.

Checking to determine whether operating management is doing a good job of executing it.

Constant review to determine whether it needs to be revised or discarded in the light of changing conditions.

4.2 Distribution and Explanation of Policy: It is the responsibility of the board to arrange for the manager to distribute all policy statements to employees and a summary of major policy statements to subscribers. In both cases the statements should be accompanied by a clear explanation of the "why" of the policy. If employees and subscribers understand the policy and the reasons for adopting it, they are more likely to respect both the policy and the policy makers.

4.3 Development of Written Procedures: It is the responsibility of the board to direct the manager to develop written procedures which will spell out how each policy will be executed. Procedures outline the chain of command and detail, "who does what." Procedures, in effect, are the mechanics of doing what the board wants done in a way the manager has recommended.

4.4 Checking To Determine Whether Policy is Being Executed: This is a responsibility of both the board and manager. The board will want to check and study the manager's reports and decisions to see if they are in line with policies of the organization. In doing this, however, the board will first want to determine that the manager understands what is wanted. Periodically, the manager will want to check procedures to see that they are in line with the policy as laid down by the board. It is, of course, the place of the manager to call to the attention of the board any difficulty he is having in carrying out policy.

4.5 Reviewing Policy: This is also a responsibility of the board and operating management. Its purpose is to keep policy up to date and in line with changing conditions. The fact that policy has been adopted does not mean that it should not be changed. Part of the test of good management is its ability to adapt its policies to changing times and conditions.

Exhibits A, B, C, D, E and F may be used for a guide by all type borrowers.

A Score Sheet for Policy Makers

	Good	Fair	Poor
1. How well have policies been formulated for each major program?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. How well are your policies stated?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. How well have you considered the procedures required, in the formulation of new policy?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. How consistent are the policies with one another?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. How well do policies make possible effective relationships with other organizations?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. How flexible are policies in permitting appropriate decisions by operating management?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. How well do policies reflect the social responsibilities of the organization?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. How well are policies codified and indexed?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. How well are policies being executed?.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Review of policies is.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Check List for Determining Progress In Developing Policy

- ☐----- Establishment of a policy committee by the board of directors.
Membership of this committee usually consists of two board members, the manager, and the attorney.
- ☐----- Determination of operations to be covered by written policy.
The committee should take into consideration all phases of the **system** operations and administration that require guide lines for successful execution.
- ☐----- Review of by-laws and minutes of meetings in order to determine what policy decisions they contain.
- ☐----- Review of previously adopted policies for:
 - (1) Contradiction or conflict.
 - (2) Duplication.
 - (3) Need and adequacy for meeting current conditions.
- ☐----- Revision of existing policy as necessary and development of new policies in rough draft.
All policies need not be considered at one time. They can be handled as continuing process, a few at a time. However, related policy statements should be given concurrent consideration by the board and/or committee.
- ☐----- Board action regarding policy drafts prepared by the committee:
 - (1) Consideration.
 - (2) Decision.
- ☐----- Manager's action regarding policies adopted by the board:
 - (1) Classification.
 - (2) Reproduction.
 - (3) Compilation.
 - (4) Distribution.
 - (5) Explanation as required.
- ☐----- Follow-up.
 - (1) Review of operations for concurrence with policy.
 - (2) Periodic reviews of procedures for concurrence with policy.
 - (3) Review of all policies at regular intervals by the policy committee to determine whether changes are necessary.

Sample Policy Bulletins

COMPANY

POLICY BULLETIN 32

January 15, 1953

SUBJECT: Handling of Public Inquiries.

It is the responsibility of employees to handle inquiries promptly, courteously, and with as little inconvenience as possible to the person making the inquiry. As a service organization, this is part of our obligation to our subscribers and to the community.

Resolution, Board Meeting, June 16, 1946.

President

COMPANY

POLICY NO. _____
DATE _____

OPERATING BUDGET

- I. General: The budget for each year and related summary of projected work programs shall be presented to the board of directors for its consideration at the last regularly scheduled board meeting of each fiscal year. Final approval of the budget by the board of directors shall be considered as authorizing the manager to execute the related work programs.
- II. Responsibility: The manager shall prepare the operating budget, showing the estimates for:
 - A. Operating and nonoperating revenues.
 - B. Operating and nonoperating expenditures.
 - C. Additional capital required.
 - D. Expenditures for new construction and replacement of capital equipment.

Resolution No. 52-17, Board of Directors, March 10, 1952.

President

_____ COOPERATIVE
POLICY STATEMENT NO. _____

(Date) _____

SUBJECT: Informed Membership.

A. It shall be the policy of this cooperative to keep its membership fully and currently informed regarding:

1. Their rights and responsibilities as owners of the co-op.
2. The financial status and operating problems of the co-op.
3. The services available by the cooperative and other organizations which relate to the improvement of rural family and community living.

B. To that end the management is instructed to:

1. Establish a monthly news letter to be mailed to all members.
2. Cooperate with the State-wide Association in providing informational material for the State-wide publications and in getting such publications distributed to the members.
3. Arrange at annual and community meetings for appropriate exchange of information regarding the matters set forth in paragraph A.
4. Provide for adequate programs and qualified personnel to carry out these activities effectively as a regular part of the co-op's operations.

President

SAMPLE INDEX

The following index may be useful to policy drafting committees in reviewing system operations to determine where policies are needed. It is not expected that any system would need to adopt policies covering all of these subjects. The index includes suggested topics for both cooperative and commercial type of business.

A

Accounting, General
Advance Payments
Aims of the Business
Amortization
Application for Membership and
Telephone Service
Area Boundaries and Territorial
Agreements
Area Coverage
Assistance to Other Systems in
Emergencies
Association of Systems, Relations
with
Attorney, Selection of
Audit of Systems Records
Automobiles and Trucks, Purchase
and Use of

B

Billing Dates
Bills, Delinquent and Final
Bonds and Insurance
Budget, Operating
Bulletins, Staff

C

Capital Furnished through
Patronage
Checks, Use and Signing of
Claims, Method of Handling
Collection Agents
Collection of Bills

Committees, Establishing and
Functions of
Communications, Authority To Sign
Consultants
Contractors, Final Payment of
Contracts, Award of
Contracts, Subscribers
Corporate Stock, Issuance and
Subscriptions

D

Debt, Long-term
Depositories, Selection and
Approval of
Depreciation Accounting
Design and Construction of
Telephone Facilities
Deposits Required for Service
Directory, Compilation and
Publication of
Donations
Duty, Hours of

E

Easements
Educational Activities
Employee Relations
Employee Termination, Causes for
Employee Vacancies
Employment Conditions, Rules
Concerning
Energized Line, Working in
Vicinity of
Engineer, Approval of Fees and
Selection of
Engineer, Final Payment of
Equipment Manufacturers, Relations
with

F

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Files, Maintenance and
Disposition of
Financing
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G

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General Rules and Regulations
(See Tariff)

H

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Hot Line, Working in Vicinity of

I

Inspection of Physical Plant
Inspection of Wiring
Inspection Reports, Submission of
Insurance and Bonds
Insurance, Engineers' and
Contractors'
Interest on Long-term Debt

J

Job Classification and
Descriptions
Joint Use of Poles

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Labor Relations
Legislative Matters, Assistance in
Line Extensions, Special
Charges for
Lines, Maintenance of and
Inspection Schedule for
Lines, Out-of-service
Lines--Relocation by Highway
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Lines--Relocation by Request
of Consumer
Locations Where Bills May Be
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Manager, Selection of
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Expenses of
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Materials and Equipment, Purchase of
Materials, Issuing of
Materials--Minimum and Maximum
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Meals and Lodgings for Employees
Meetings, Annual
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Membership Certificates
Membership Refunds
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Minutes

N

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News Letter
Nonmember Service Charges
Numbering of Equipment

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Officers, Removal of
Officers, Vacancies of
Operating Reports, Preparation and
Submission of
Organization--Departments
Overtime

P

Per Diem
Performance Bond, Contractors'
Perpetual Inventory
Personnel, Selection of
Poles, Climbing of
Poles, Joint Use of
Policy Review
President, Duties of
Principal--Long-term Debt
Purchase Orders

Qualifications and Obligations of
Members
Quorum at Board Meetings

R

Radio Operations
Rate of Pay for Employees
Rates for Telephone Service,
Tariffs
Records, Audit of
Records, Establishment and
Maintenance of
Regulatory Bodies, Relations with
Reimbursement of General Funds
from Loan Funds
Relations with Associations
Relations with REA
Removal and Sale of a Portion of
System
Renewals and Replacements
Reserves, Establishment of
Retirement and Insurance,
Employees'
Right-of-way Condemnation
Rules and Regulations as Applied
to Subscribers
Rules and Regulations as Applied
to Employees

S

Safety and Job Training Program
Scrap Material, Handling of
Secretary-Treasurer, Duties of
Security Deposits
Service to Subscribers with
Defaulted Accounts
Service Connection Charges
Service Complaints, Record of
Service Orders Procedure
Service Relocation, Cost of
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Receiving Service

Sick Leave
Special Construction Account
Special Rules Affecting Employees
Staking Sheets, Preparation,
Filing and Records of
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to Private Firms for Credit-
rating Purposes
Subscriber Extensions

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tenance Program
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Trustees, Duties of
Trustees, Election of
Trustees, Meetings of
Trustees, Nomination of
Trustees, Notice of Meetings for
Trustees, Payment of Fees and
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Trustees, Powers of
Trustees, Qualifications of
Trustees, Vacancies of

U

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V

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Vice President, Duties of
Visitors to Board Meetings
Vouchers, Approval of

W

Wiring, Inspection of
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Work Done for Others
Work During Inclement Weather
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Working Conditions, Rules
Concerning

